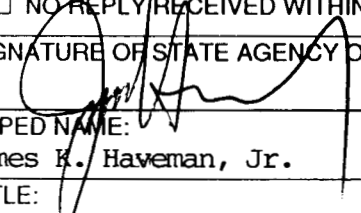
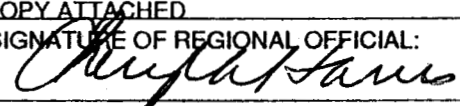


TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: <u>9</u> <u>8</u> — <u>0</u> <u>0</u> <u>2</u>	2. STATE: Michigan
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT		4. PROPOSED EFFECTIVE DATE January 15, 1998	
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.252(b)	7. FEDERAL BUDGET IMPACT: a. FFY 1998 \$ 24,986,100 b. FFY 1999 \$ N/A		
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, pp. 2a, 2b, and 2c	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B, pp. 2a, 2b, and 2c		

10. SUBJECT OF AMENDMENT:

 To establish the annual expenditure level for the special outpatient indigent pool for FY98.

11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		16. RETURN TO: Michigan Department of Community Health Medical Services Administration P.O. Box 30479 Lansing, MI 48909-7979
12. SIGNATURE OF STATE AGENCY OFFICIAL:  13. TYPED NAME: James R. Haveman, Jr. 14. TITLE: Director	15. DATE SUBMITTED:	

FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 3-11-98	18. DATE APPROVED: 6/6/01	PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1-15-98	20. SIGNATURE OF REGIONAL OFFICIAL: 		
21. TYPED NAME: Cheryl A. Harris	22. TITLE: Associate Regional Administrator Division of Medicaid and Children's Health		
23. REMARKS:			

RECEIVED

MAR 11 1998

HCFA-V-DMSO

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

The indigent volume portion of the outpatient adjustor is:

$$1 + (\text{Indigent volume} \times .40) + .15$$

Only hospitals with at least \$8,000,000 in indigent charges are eligible for the 0.15 supplement to the adjustor. Off campus satellite clinics eligible for special Medicaid reimbursement as satellite clinics in health manpower shortage areas are not eligible for the 0.15 supplement to the outpatient adjustor.

The indirect medical education portion of the outpatient adjustor is:

$$\left(\left(1 + \frac{\text{Interns \& Residents}}{\text{Beds}} \right)^{.5795} - 1 \right) \times 1.5$$

The outpatient adjustor is the sum of the indigent care portion of the adjustor and the indirect medical education portion. Hospitals not located in Michigan or not enrolled in the Medicaid Program do not receive an adjustor for indigent volume or indirect medical education.

01/15/98 In addition to the regular indigent volume normally included as part of the fee screen based payments, eligible hospitals will receive a proportional share from a special indigent pool. A pool of \$44,012,800 will be distributed in periodic payments between January 15, 1998 and September 30, 1998.

01/15/98 The pool will be distributed based on each hospital's indigent charges from the hospital's fiscal year ending between October 1, 1995 and September 30, 1996. There will be no settlement or adjustment of the amounts paid. To be eligible a hospital must meet all of the following criteria.

- 01/15/98
1. Outpatient indigent charges must be at least \$20,000,000 during the hospital's fiscal year ending between October 1, 1995 and September 30, 1996; and
 2. Outpatient indigent volume (indigent charges divided by total outpatient charges must be at least 10%; and
 3. The hospital must not receive any Michigan Medicaid inpatient disproportionate share payments during the State fiscal year 1998.

TN No. 98-02

Approval _____

Effective Date 1/15/98

Supersedes

TN No. 97-18

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

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A separate pool of up to \$260,000,000 will be distributed in periodic payments between October 7, 1997 and September 30, 1998. Preliminary payments from this pool will be made to eligible hospitals based on each hospital's estimated Medicaid outpatient payments during state fiscal year 1998. Final settlement of the pool of up to \$260,000,000 will be done using state fiscal year (FY) 1998 paid claims data.

01/15/98 Hospitals eligible for a share of the pool of up to \$260,000,000; are not eligible for this \$44,012,800 pool. Eligibility for the special indigent pools are based on outpatient indigent volume data from hospital fiscal years ending between October 1, 1995 and September 30, 1996. These data have been subject to review and appeal and will not be changed.

Hospitals with outpatient indigent volume of at least 29% and outpatient indigent charges in the eligibility year (cost periods ending between October 1, 1995 and September 30, 1996) of at least \$24,000,000 will be eligible for special outpatient indigent payments from a pool of up to \$260,000,000.

This pool of up to \$260,000,000 will be distributed to eligible hospitals based on payments for services provided during state fiscal year 1998 (excluding the special indigent pool payments). The final settlement, using outpatient hospital Medicaid paid claims for eligible hospitals will be performed based on actual state fiscal year 1998 claims paid through December 31, 1999. The claims include Title XIX and V/XIX paid claims from provider types 40, 41 and 75.

For the purpose of these pools, Medicaid outpatient hospital reimbursement to any single hospital will be allowed to exceed the hospital's Medicaid outpatient charges and Medicaid payment may exceed a hospital's outpatient Medicaid cost. The special indigent payments made under this policy will be exempt from the outpatient hospital charge and cost limits.

The special indigent payments made under this provision will be exempt from the outpatient hospital charge and cost limits. The outpatient hospital charge limit is applied in the invoice processing system. Each outpatient claim is reimbursed the lesser of the fee screen based payments or actual charges. Claim line reimbursement in the invoice processing system does not include any special indigent pool payments, these are made in a separate payment.

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TN No. 98-02

Approval _____

Effective Date 1/15/98

Supersedes

TN No. 97-18

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Michigan
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The cost limit is applied by each subprovider within a hospital at the time of hospital settlement. The Medicaid outpatient payment by subprovider is limited to a maximum of the Medicaid costs for that subprovider. The cost limit test is applied to all payments excluding any special indigent pool payments.

Aggregate Medicaid reimbursement to Michigan outpatient hospitals (including the special indigent pools) will not be allowed to exceed the federally imposed upper limit for outpatient services provided to Michigan recipients. To account for varying hospital year end dates, this test will be made annually based on hospital fiscal years ending during the State fiscal year (e.g. the test for 1998 will use hospital years ending between October 1, 1997 and September 30, 1998). If the upper limit is exceeded, the size of the special indigent pool will be reduced by the amount in excess of the upper limit. If the upper limit test supports our claim that Medicaid's total payment is less than the Medicare payment would have been for comparable services under comparable circumstances, the amount up to the upper limit may be dispersed to the qualifying hospitals.

Between November 17, 1997, and September 30, 1998, qualifying children's hospitals will share in an outpatient adjustor pool of \$695,000. This payment will be in addition to the regular indigent volume payments.

Eligibility for the pool is restricted to freestanding children's hospitals as defined for the purpose of the Medicaid Indigent Volume Report (Medical Assistance Program, Hospital Manual, Chapter VIII, page 19, item#3). Indigent volume charges and children's hospital status will be determined from the Medicaid Indigent Volume Report for hospital fiscal years (FY) ending between October 1, 1995 and September 30, 1996. To be eligible a children's hospital must have incurred outpatient indigent volume charges (for hospital fiscal years ending between October 1, 1995 and September 30, 1996) in excess of \$40,000,000. These data have been subject to review and appeal and will not be changed. Each eligible hospital will share in the pool proportionately using the ratio of the hospital's FY 1998 Title XIX estimated outpatient charges to the sum of FY 1998 Title XIX estimated outpatient charges for qualifying hospitals.

The \$695,000 will be paid on or after November 17, 1997. These payments will be made based on the best data available.

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TN No. 98-02

Approval _____

Effective Date 1/15/98

Supersedes

TN No. 97-18